



Social Security and Medicare Information for TRS Members

November 2004

Overview

TRS does not reduce its benefits because of Social Security benefits. However, the Social Security benefits of many eligible members will be reduced because of public employment not covered by Social Security. This publication covers:

- contributions and benefits;
- Social Security reductions; and
- Medicare information.

Contributions and Benefits

Earning Social Security credit

As a TRS member, you do not contribute to Social Security as part of your TRS-covered employment. However, you may accumulate credit under Social Security through other employment that is not covered by TRS, or you may be eligible for benefits through a current or former spouse's employment.

Social Security is measured in quarters of coverage. Persons attaining age 62 in 1991 or later need 40 quarters of coverage to qualify for benefits. Employees and self-employed individuals earn one quarter of coverage for a specified amount of covered annual earnings. Since this amount is subject to change, please contact your local Social Security Administration (SSA) office for the amount in effect for a particular year.

No more than four quarters of coverage can be credited in one year. A different method was used to obtain credit prior to 1978.

Social Security benefit statement

The SSA sends an annual statement one to three months before your birthday, provided you are at least 25 years old and are not already receiving benefits.

This statement provides you with:

- an earnings history under Social Security;
- the number of quarters you have earned; and
- an estimate of benefits you will receive (provided you have earned sufficient quarters of coverage).

The estimate you receive is likely to be overstated because Social Security does not take into account any reductions in benefits that may result from the federal offsets mentioned later in this document.

You may request a statement at any time by contacting Social Security and asking for Form SSA-7004, Request for Earnings and Benefit Estimate Statement. Complete the form and return it to the address indicated on the form. You may also submit your request through the Social Security Administration Web site (www.ssa.gov).

Social Security Reductions

Two provisions may cause a reduction in Social Security benefits: the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO).

Windfall Elimination Provision (WEP)

TRS members and many other government employees do not pay Social Security tax on their earnings from government employment. In 1986, Congress enacted legislation that affects public employees who earned Social Security

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quarters through supplemental income. The Social Security formula uses a three-tiered formula that returns a very high percentage of the pre-retirement income of persons at the threshold of poverty. In the case of public employees, such as teachers and law enforcement officers who did not pay Social Security taxes on their public employment, the formula includes an adjustment. The WEP modifies the formula to account for the fact that a substantial portion of a noncovered worker's earnings were not subject to Social Security taxes.

Government Pension Offset Provision (GPO)

The Government Pension Offset Provision (GPO) also affects the Social Security benefits for those who receive spousal or widow's benefits. The spousal benefit was designed to provide security to spouses who had little or no Social Security benefits of their own and were, therefore, financially dependent on a spouse's Social Security coverage. Before the offset was enacted, many TRS members qualified for a pension from TRS and from Social Security, even though they were not financially dependent on their spouses.

Social Security benefit eligibility for a spouse or divorced spouse of a covered worker

You may receive benefits on the record of a covered spouse if your spouse is receiving Social Security retirement or disability benefits and you meet one of the following criterion: you are age 62 or over, or you have a child under age 16 (or a disabled child age 16 or older) who is receiving benefits on your spouse's record.

If you are divorced and your former spouse is eligible for retirement or disability benefits from Social Security, you may receive benefits if you are age 62 or older, are unmarried, and were married to your former spouse for at least 10 years.

If your former spouse is at least 62 and is fully insured under Social Security, you may receive benefits even if he or she is not receiving retirement or disability benefits from Social Security if you meet the following criterion: you are age

62 or older, are unmarried, were married to your former spouse for at least 10 years, and have been divorced at least two years.

Your eligible benefits as the spouse or former spouse of a covered worker are affected by the GPO.

Social Security benefits paid to a surviving spouse or surviving divorced spouse

If you are the surviving spouse of the covered worker, you are entitled to a surviving spouse's benefit at any age if you are caring for children under age 16 (or disabled children age 16 or older) who are entitled to a benefit. If you have no dependent children, you can receive widow's or widower's benefits if you are age 60 or older. The amount will depend on your age when you start receiving benefits and the amount your deceased spouse would have been entitled to or was receiving.

As a surviving disabled spouse, you may receive benefits at age 50 if you are totally disabled.

As a surviving divorced spouse, you may receive benefits if your former spouse dies. Benefits may begin at age 60 (50 if you are disabled) if you are unmarried and were married to your former spouse for at least 10 years.

If you are unmarried and caring for a child under age 16 (or a disabled child age 16 or older) who is entitled to benefits because of your former spouse, you may be eligible to receive a benefit regardless of your age.

Remarriage after age 60 (50 if you are disabled) will not prevent the payment of benefits.

Social Security work reduction

There are earnings limits if you are under full retirement age. "Full retirement age" is determined by the year that you were born. The limits are subject to change; please contact your local SSA office for the limits applicable to your age.

If you exceed the earnings limits, some Social Security benefits will be held back.



Amount of your Social Security reductions

Only the SSA can provide this information. The WEP can never reduce your Social Security benefits to zero; however, your Social Security benefits may be reduced to zero through the GPO.

TRS will never reduce your TRS benefit because of Social Security benefits.

You must report changes in your TRS benefits (such as your annual increases) to the SSA because such changes may affect the Social Security amount you receive.

Exceptions to these reductions

There may not be a reduction due to the WEP if, *before 1986*:

- you reached age 62;
- you became disabled and remained entitled to a Social Security disability benefit in any of the 12 months before you reached age 62, even if you reached age 62 after 1985; **or**
- you received, or were first eligible to receive, your TRS annuity.

In addition, the effects of the WEP are moderated if you had more than 20 years of “substantial” Social Security employment and are eliminated after 30 years of “substantial” employment.

Under the **GPO**, you may be exempt from the reduction to your Social Security benefits based on a spouse’s work record if:

- you began to receive or were eligible to receive your TRS annuity before December 1982 **and**
- you meet all of the requirements for Social Security spouse’s or surviving spouse’s benefits in effect in January 1977. At that time, divorced women must have been married at least 20 years (rather than 10 years as required today) and men must have received at least one-half support from their spouse.

If you did not meet these two criterion, you may be exempt from the offset if you received or were eligible to receive your TRS annuity before

July 1, 1983, and if you were receiving at least one-half support from your spouse.

Date of first eligible TRS annuity

The SSA may ask you to provide the date you were first eligible to receive your TRS annuity. You are considered eligible to receive your annuity if you meet the minimum requirements for a TRS benefit, even if you continue to work. Minimum eligibility requirements for TRS benefits are:

<u>Years of Service</u>	<u>Age</u>
5	62
10	60
20	55

If the SSA asks for your eligibility date, contact TRS at the following telephone numbers or addresses. Please provide your Social Security number with your request to expedite processing.

Telephone: (800) 877-7896

Address: 2815 West Washington Street
P.O. Box 19253
Springfield, Illinois 62794-9253

E-mail: members@trs.state.il.us

Medicare Information

Medicare consists of two parts (Part A hospital insurance and Part B medical insurance.) Part A is free if you are receiving Social Security benefits. Part B has a monthly premium that is deducted from your Social Security benefits.

You will be eligible for free Medicare Part A coverage at age 65 if you have 40 quarters of covered earnings.

As a TRS member, do I contribute to Medicare?

If you were hired by a TRS-covered employer after March 31, 1986, you are required to pay the Medicare tax. Your employer must also contribute. The tax is 1.45 percent of earnings for you and 1.45 percent for your employer.

If you were hired by a TRS-covered employer before March 31, 1986, and continue to work for the same employer, you do not contribute to



Medicare as part of your employment unless you elected to contribute through the Medicare-only Referendum. This one-time, irrevocable election period was between February 16, 2004 and May 15, 2004. Teachers who chose to participate in Medicare began accumulating credits after July 1, 2004. Those who elected not to contribute will not earn Medicare credits through their current employer. If you leave your current school district to work for another school district, you will earn Medicare credits regardless of your election.

If you are eligible for Social Security coverage on your own work record, you will receive Medicare Part A coverage at age 65.

Can I receive Medicare coverage as the spouse of a covered worker?

You may have Medicare Part A coverage (hospital insurance) at age 65 if your spouse is at least age 62 and has worked in Social Security-covered employment long enough to be insured, even if your spouse is still working. Anyone may enroll in Medicare Part B (medical insurance); there is no work requirement.

Medicare coverage is not reduced in any way because of the WEP or the GPO.

Can I get Medicare as a survivor?

You will be eligible for Medicare at age 65 if your spouse worked long enough under Social Security to be insured before his or her death.

Can I purchase Medicare coverage?

If you do not qualify for Part A coverage, you may purchase Medicare Part A coverage (hospital insurance). To buy hospital insurance, you also have to enroll and pay the monthly premium for medical insurance (Medicare Part B). The premiums for Part A and Part B coverage change each year; contact your local SSA office for these amounts.

You may qualify for government assistance in paying the Medicare premium and some of the Medicare deductibles and copayments if you meet certain criterion. If you qualify, this assistance will be provided through your state medical assistance (Medicaid) program.

Additional Information

For additional information about Social Security, contact your local SSA office. Information is also available through the SSA Web site (www.ssa.gov).

The following informational materials are also available from the SSA:

- The Windfall Elimination Provision (05-10045)
- Government Pension Offset (05-10007)
- Request for Social Security Statement (Form SSA-7004)

Contact Information for the Social Security Administration

Social Security Administration (SSA) Office
(800) 772-1213

SSA Web site
www.ssa.gov

Should any discrepancies arise between this publication and information issued by the Social Security Administration (SSA), the SSA information governs. This publication is provided as a source of information and does not constitute legal, tax, or other professional advice. If you require legal advice or other professional assistance, consult the services of a professional advisor.